

VZCZCXRO6751
RR RUEHRC
DE RUEHRI #0404/01 3371724
ZNR UUUUU ZZH
R 031723Z DEC 09
FM AMCONSUL RIO DE JANEIRO
TO RUEHC/SECSTATE WASHDC 0042
INFO RUEHBR/AMEMBASSY BRASILIA
RUEHRG/AMCONSUL RECIFE 0014
RUEHRI/AMCONSUL RIO DE JANEIRO
RUEHSO/AMCONSUL SAO PAULO

UNCLAS SECTION 01 OF 03 RIO DE JANEIRO 000404

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [EPET](#) [ENRG](#) [ASEC](#) [PGOV](#) [TBIO](#) [EAIR](#) [BR](#)
SUBJECT: Rio Radar - December 3

REF: BRASILIA 1383; BRASILIA 1099; RIO DE JANEIRO 369
RIO DE JANEIRO 329; RIO DE JANEIRO 365

¶1. (U) Rio Radar is a regular compilation of key economic, political, commercial, and other developments in the states of Rio de Janeiro, Bahia, Minas Gerais, Espirito Santo, and Sergipe. This week's subjects:

BLACKOUTS HIT RIO DE JANEIRO...AGAIN AND AGAIN

¶2. (U) Beginning the afternoon of November 23, a power outage hit major parts of the affluent Zona Sul area of Rio de Janeiro, affecting approximately 40,000 residents. Some neighborhoods well north of Zona Sul were also affected. This blackout, which lasted almost 24 hours in some areas, was less widespread, but longer in duration than the country-wide blackout that also struck Rio de Janeiro on November 10 (reftel A). Roberto Alcoforado, Vice President of the Rio de Janeiro's utilities company, "Light", provided three possible causes for the outage: Theft of underground electric cables; a spike in energy consumption due to higher-than-average temperatures; or, an overall increase in consumption due to an increase in domestic electronic appliances thanks to a reduction in the IPI (Industrialized Products Tax). Helder Queiroz, Professor of the Energy Group of the Economics Institute at the Federal University of Rio de Janeiro (UFRJ), however, placed the blame on poor infrastructure, noting Light spent 10 percent less on capital investments in 2009 than it did in **¶2008**. On November 30, yet another blackout hit the Zona Sul area, lasting approximately three hours. According to utility provider "Light," problems involving underground electric cables caused the power outage.

PRE-SALT ROYALTIES DEBATE POSTPONES KEY VOTE IN CONGRESS

¶3. (SBU) On November 26, Brazil's President Lula promised Rio de Janeiro Governor Cabral (PMDB) that he would ask the House of Deputies to postpone voting on the principal bill of the regulatory framework for the pre-salt oil deposits, due to the ongoing debate over the distribution of royalties, in areas already licensed under the concession model. Four bills make up the proposed framework, and the House of Deputies has already passed one bill (reftels B and D). This heated debate over the distribution of royalties under the framework has pitted Rio Governor Cabral and Espirito Santo Governor Paulo Hartung (PMDB) against Deputies and Governors from non-oil producing states, mainly in the Northeast, as well as the Federal government, with major disagreements even among members of the same party. Since the framework was announced on August 31, non-oil producing states have demanded a greater share of royalties from Pre-salt blocks to be licensed going forward. Beginning last

month, however, they also began demanding royalties on pre-salt blocks already licensed under the existing concession model, causing staunch opposition from Cabral and Hartung. The State of Rio de Janeiro alone stands to lose billions of dollars annually under the proposals. The PMDB's leader in the House of Deputies Henrique Eduardo Alves promised to present a new proposal on royalties distribution during the first week of December. Major international and independent oil companies that oppose the framework tell us the ongoing debate on royalties, and associated delays, can ultimately help their lobbying efforts against the bill, by holding up full Congressional passage.

RIO EXTENDS FAVELA PACIFICATION, DRUG GROUPS FIGHT BACK

¶4. (SBU) On November 30, some 300 Military Police officers - supported by armored helicopters - launched operations to enter two favelas in Rio's affluent Zona Sul area, in order to expel drug trafficking elements and prepare the community for "pacification," i.e. a sustained police and state presence (reftel D). The two favela communities, "Pavao-Pavaozinho" and "Cantagalo" border the Copacabana and Ipanema neighborhoods, and are home to some 28,000 residents. Both communities have been under the control of the Red

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Command, the same group responsible for downing a police helicopter in October (reported in Rio 346). Press reports indicate police killed one drug gang member and apprehended two during initial firefights. The office of the State Secretary for Public Security told us on December 1 the police had successfully entered the favelas and were patrolling the community.

¶5. (SBU) On December 1 and 2, however, suspected drug traffickers struck back in Copacabana neighborhoods. On December 1, they set ablaze a bus and threw a grenade at a shop, in what appeared to be retaliation against the operations. The fire set by the suspects completely destroyed the bus, which was empty at the time, and spread to an adjacent store front. In a nearby area, a suspected drug gang member also threw a grenade, which then exploded, damaging a storefront and some proximate vehicles, although it was not immediately clear if the two events were coordinated or directly related. Some press reports stated the incidents were diversionary tactics so drug gang members could escape from a firefight with police in the favelas, but MP contacts could not corroborate these reports. Prior to the bus fire, a group of minors warned stores in the area to shut down, to demonstrate solidarity "with the traffickers." The Copacabana MP battalion told us they arrested two adults in the bus fire incident, three minors in the grenade incident, and 11 minors that ordered shopkeepers to close. There were no reports of deaths or injuries. The location where the bus fire took place is only one block away from a major internationally recognized hotel where many visiting USG officials stay. On December 2, another explosive device - containing nails - was thrown at a bus in Copacabana, according to local press, but no injuries were reported. Rio authorities have successfully brought four other communities into the "Favela Pacification Program" (FPP), and the November 30 operation fits in with the program's overall strategy, timeline, and geographical prioritization (reftel E).

ICAO CONFERENCE ADVANCES AVIATION BIOFUELS DEVELOPMENT

¶6. (U) On November 16-18, the Brazilian government hosted the International Civil Aviation Organization's (ICAO) Conference on Aviation and Alternative Fuels in Rio de Janeiro. During the three day event, member states - with input from airline industry representatives - debated language that went into an ICAO

Declaration on the development of alternative aviation fuels. The Declaration endorsed the use of sustainable alternative aviation fuel, particularly fuels compatible with existing jet engine technology, as a way to reduce CO₂ emissions from aircraft. ICAO will present the declaration at the United Nations 2009 Climate Change Conference in Copenhagen later this month. Member states also established the Global Framework on Aviation and Alternative Fuels, an information-sharing platform for ICAO member states and the air transportation industry. ICAO Secretary General Raymond Benjamin declared that as much as 10 percent of all aviation fuel could come from alternative sources within the next 10 years.

¶7. (U) On the margins of the Conference, Brazilian aircraft manufacturer Embraer, Brazilian air carrier Azul, General Electric, and California-based Amyris announced a partnership to develop a bioengineered alternative aviation fuel. The process for this fuel will involve a sugarcane feedstock, processed through fermentation, and bioengineered to become a "drop-in" kerosene spec fuel, i.e. a fuel that has advantageous elements of diesel, with the GHG-reducing benefits of sugarcane-based ethanol, and compatible with existing commercial jet engines.

DENGUE FEVER OUTBREAK IN RIO?

¶8. (U) On November 24, Brazilian Minister of Health Jose Gomes Temporao alerted Rio de Janeiro Health Authorities over the possibility of a new dengue fever out-break during the Brazilian summer months. A total of 102 municipalities throughout the country, including seven in Rio de Janeiro state, are under a state of alert.

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SALVADOR RESIDENTS PROTEST FOR MENINGITIS VACCINE

¶9. (U) On November 24, Salvador, Bahia residents staged a protest demanding free vaccinations against meningitis. The protest blocked traffic for a few hours. According to the Bahia State Secretariat of Health, there have been 128 deaths from meningitis this year. However, the Secretariat claims only the Federal Ministry of Health can make changes to the list of vaccines included in the free vaccination program. A meningitis vaccine currently costs 120 Brazilian Reals (70 USD).

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